

June 23, 2020

VIA ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

RE: Docket 4755 – Notification of an Energy Efficiency Incentive Greater Than \$3,000,000 Settlement Agreement

Dear Ms. Massaro:

I am pleased to report a settlement between National Grid¹ and the Division of Public Utilities and Carriers (Division) in the above-referenced docket. On behalf of National Grid and the Division, I attach one original of the parties' Settlement Agreement (Settlement Agreement) for filing with the Public Utilities Commission (PUC) in this docket.²

Pursuant to the Company's 2018 Annual Energy Efficiency Plan approved by the PUC in the above-referenced docket, on May 31, 2018, the Company filed a Notification of an Energy Efficiency Incentive Greater Than \$3,000,000 (the Notification) related to the \$7,242,000 incentive for a 7 MW Combined Heat and Power (CHP) system for installation at Naval Station Newport, in Newport, Rhode Island (Project).

As provided in the attached Settlement Agreement, on January 16, 2019, the Company filed a Notice of Withdrawal with the PUC withdrawing the Notification so that the Company could collaborate with the Division and the customer regarding the Project. As a result of its discussions with the Division, the Company agreed that it is in the best interest of the Company's customers to credit back to the electric energy efficiency fund (the Electric EE Fund) certain Project-related costs that were charged to the Electric EE Fund. The Company also agreed to implement certain process improvements related to the administration and delivery of CHP projects within energy efficiency. The Company established a fixed set of tiered incentive levels for eligible projects that the Company will not deviate from offering going forward. These incentive levels were incorporated into the Company's 2020 Annual Energy Efficiency Plan, which was approved by the PUC in Docket No. 4979. The Company also will conduct refresher training on commercial energy efficiency and regulatory processes and policies for all employees who work on commercial energy

¹ The Narragansett Electric Company d/b/a National Grid (National Grid or the Company).

² Because of the COVID-19 Pandemic emergency period, the Company is providing a PDF version of the above-referenced transmittal. The Company will provide the PUC with one copy of the hard copy and, if needed, additional hard copies at a later date.

Luly E. Massaro, Commission Clerk
Docket 4755 – Notification of EE Incentive
Settlement Agreement
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efficiency projects for the Company. In light of these commitments by the Company, the Division agreed to conclude its fact finding relating to the Project as proposed in the Notification.

Upon PUC approval of the Settlement Agreement, the Company will record a credit to the Electric EE Fund in the amount of \$451,830 plus any accrued interest.

Thank you for your attention to this filing. If you have any questions, please contact me at 508-330-8602.

Very truly yours,

A handwritten signature in blue ink that reads "Celia B. O'Brien". The signature is written in a cursive, flowing style.

Celia B. O'Brien

Attachment

cc: Docket 4755 Service List
Linda George, Division
John Spirito, Esq.
Jon Hagopian, Esq.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
PUBLIC UTILITIES COMMISSION

_____)	
Notification of an Energy Efficiency)	
Incentive Greater Than \$3,000,000)	Docket No. 4755
(CHP Project Naval Station))	
_____)	

SETTLEMENT AGREEMENT

In accordance with Rule 1.25 of the Public Utilities Commission's (PUC) Rules of Practice and Procedure (810-RICR-00-00-1) (the PUC's Rules), this Settlement Agreement (this Settlement Agreement) is entered into this 18th day of June, 2020, by and between The Narragansett Electric Company d/b/a National Grid (the Company) and the Division of Public Utilities and Carriers (the Division) (collectively referred to as the Parties and individually as a Party) in the above-captioned docket.

RECITALS:

WHEREAS, pursuant to the Company's 2018 Annual Energy Efficiency Plan approved by the PUC in the above-captioned docket, on May 31, 2018, the Company filed a Notification of an Energy Efficiency Incentive Greater Than \$3,000,000 (the Notification) related to the \$7,242,000 incentive for a 7 MW Combined Heat and Power (CHP) system for installation at Naval Station Newport, in Newport, Rhode Island (Project);

WHEREAS, in response to the Division's request, the PUC suspended indefinitely its consideration of the Notification to permit the Division time to conduct its fact gathering regarding the Project;

WHEREAS, the Company responded to numerous sets of data requests related to the Notification and the Project, including approximately 10 sets of data requests issued by the Division;

WHEREAS, on January 16, 2019, pursuant to Rule 1.12.C. of the PUC's Rules, the Company filed a Notice of Withdrawal with the PUC withdrawing the Notification so that the Company could collaborate with the Division and the customer regarding the Project;

WHEREAS, after filing the Notice of Withdrawal, the Company and the Division engaged in discussions regarding the Project. As a result of those discussions, the Company agrees that it is in the best interest of customers to credit back to the electric energy efficiency fund (the Electric EE Fund) certain Project-related costs that were charged to the Electric EE Fund and to implement certain process improvements related to the administration and delivery of CHP projects within energy efficiency;

WHEREAS, in light of these commitments by the Company, the Division agrees that it is appropriate to conclude its fact finding relating to the Project as proposed in the Notification; and

WHEREAS, the Parties believe this Settlement Agreement is reasonable, in the public interest, and in accordance with law and regulatory policy.

NOW, THEREFORE, in consideration of the recitals hereto, the exchange of promises and covenants hereinafter contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged under seal, the Parties, intending to be legally bound, hereby agree as follows:

1. Company Credit to the Electric EE Fund

Upon PUC approval of this Settlement Agreement, the Company shall record a credit to the Electric EE Fund in the amount of \$451,830 plus any accrued interest.

This credit represents:

- (a) a refund to customers of the costs incurred by the Company in connection with the Project and the Company's time spent in connection with seeking approval in this docket relating to the Notification during calendar years 2016, 2017, 2018, and 2019, that were charged to the Electric EE Fund (in the amount of \$225,915); and
- (b) a Company shareholder-funded matching contribution to the Electric EE Fund in the amount of \$225,915. Customers will benefit from this Company credit to the Electric EE Fund as it will increase the Electric EE Fund balance in 2020 by this amount, thus reducing the amount that the Company will propose collecting from customers in 2021 through the next electric Energy Efficiency Program Charge that the Company will propose when it files its 2021 Annual Energy Efficiency Plan with the PUC.

2. Process Improvements for CHP Projects

In August 2019, the Company created a cross-functional team to conduct an end-to-end process review of the current process for CHP projects from the viewpoint of the customer, including an assessment of the interaction between all business units involved, the distributed generation interconnection process, the gas capacity analysis process and the energy efficiency savings analysis. As a result of that review, the Company concluded there were opportunities to improve processes and controls and to provide a more transparent and complete customer experience; assessed recent project experiences to further influence the Company's future state process; and identified actions to take going forward.

In addition, the Company also worked with the Division to review Company policies and procedures for establishing the incentive amounts made available to CHP projects and established a fixed set of tiered incentives levels for eligible projects that the Company will not deviate from offering moving forward. The specifics of these tiers were incorporated into the Company's 2020 Annual Energy Efficiency Plan approved by the PUC in Docket No. 4979. The Company also reviewed its process for preparing regulatory filings and responding to discovery for energy efficiency projects and will hold refresher training on commercial energy efficiency and regulatory processes and policies for all employees who work on commercial energy efficiency projects for the Company.

3. CHP Project Notification Process

The Company and the Division worked together to develop the following changes to the stakeholder notification protocols related to the CHP program, which were incorporated into the Company's 2020 Annual Energy Efficiency Plan approved by the PUC in Docket No. 4979:

- (a) The Company is required to notify the Division, the Office of Energy Resources, and the Energy Efficiency Resources Management Council of any CHP project with a net output of 1 MW or greater and submit specific supporting documentation to the Division for its review;
- (b) Among the supporting documentation, the Company is required to provide to the Division is a report including a natural gas capacity analysis that addresses the impact of the proposed project on gas reliability (see Bates Pages 328-330 and 332 of the 2020 Annual Energy Efficiency Plan); and

- (c) The Company will provide two scenarios of the benefit cost screening for CHP systems with a net output of 1 MW or greater – one test that includes the economic benefits adder within the Rhode Island Test and one test that excludes the economic benefits adder (see Bates Pages 325-326 of the 2020 Annual Energy Efficiency Plan).

The changes described above are intended to provide more transparency to pending CHP projects and to ensure that natural gas constraints are considered appropriately when developing a CHP project.

4. Regulatory Filing and Discovery Process Refresher Training

The Company will be conducting mandatory refresher training on the preparation of regulatory filings and discovery responses submitted to the PUC and/or the Division to ensure that all employees who work on or otherwise support the Company's CHP projects and other energy efficiency programs understand their roles and responsibilities in preparing those submittals.

5. Other Provisions

- (a) Unless expressly stated herein, the making of this Settlement Agreement establishes no principles or precedents and may not be construed or cited as precedent in any future proceeding. The covenants contained in this Settlement Agreement are limited to the above-captioned docket only and shall not be deemed to foreclose any Party from taking any position or making any contention in any other docket, proceeding, or investigation.

- (b) This Settlement Agreement is the result of settlement negotiations between the Parties. The content of those negotiations is privileged and all offers of settlement and discussions relating thereto are and shall be privileged, shall be without prejudice to the position of any Party, and are not to be used in any manner in connection with these or other proceedings involving any one or more of the Parties to this Settlement Agreement or otherwise. The agreement by a Party to the terms of this Settlement Agreement shall not be construed as an agreement as to any matter of fact or law for any other purpose.
- (c) All prior discussions and agreements with respect to the subject matter hereof are merged in this Settlement Agreement, which alone constitutes the entire agreement between the Parties as to its subject matter. This Settlement Agreement may not be amended, modified, or terminated except by a written agreement signed by both Parties, which specifically references this Settlement Agreement.
- (d) This Settlement Agreement is submitted on the condition that it is approved in its entirety by the PUC. In the event that the PUC (i) rejects this Settlement Agreement in its entirety; (ii) fails to accept this Settlement Agreement as filed; or (iii) accepts this Settlement Agreement subject to conditions unacceptable to any Party hereto, then this Settlement Agreement shall be deemed withdrawn and shall be null and void in all respects, except this paragraph (d), and shall not constitute a part of the record in this or any proceeding or be used for any purpose, unless all Parties agree to PUC modifications.

- (e) Any number of counterparts of this Settlement Agreement may be executed, and each shall have the same force and effect as an original instrument, and as if all the parties to all the counterparts had signed the same instrument.
- (f) The undersigned hereby attest on behalf of their respective organizations that this Settlement Agreement is reasonable, in the public interest, and in accordance with law and regulatory policy.

[SIGNATURES FOLLOW ON THE NEXT PAGE]

Respectfully submitted,

THE NARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID

Date: June 18, 2020

By: William Malee

William Malee
Vice President

DIVISION OF PUBLIC UTILITIES AND
CARRIERS

Date: June 18, 2020

By: /S/ Jon G. Hagopian

Jon Hagopian
Deputy Chief Legal Counsel

Certificate of Service

I hereby certify that a copy of the cover letter and any materials accompanying this certificate was electronically transmitted to the individuals listed below.

The paper copies of this filing are being hand delivered to the Rhode Island Public Utilities Commission and to the Rhode Island Division of Public Utilities and Carriers.



Joanne M. Scanlon

June 23, 2020
Date

Docket No. 4755 - National Grid – Energy Efficiency Program Plan for 2018
Docket No. 4756 - National Grid – 2018 System Reliability Procurement
Report (SRP)
Service list updated 1/8/2019

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